

BRICS
Second
Employment
Working
Group
Meeting

Hyderabad, 27-28 July 2016



**Social Security
Agreements**

Social Security – Key Features

- Long history of social security regulation on basis of legislation
- Legislations at federal and state level – cover one or more aspects of social security
- Different programmes for different segments of population
- Standard model cannot be adopted.
- Different schemes cover one or more of ILO's 9 social security parameters : *Medical care, sickness, unemployment, old-age, employment injury; family; maternity; invalidity & survivor's benefit*

Diversity of Social Security Schemes

- **EPFO – one of the organizations providing social security benefits to workers**
- Schemes of Public Sector Enterprises and Autonomous bodies
- Pension schemes of State Governments
- Government pension schemes for rural areas
- Healthcare & Provident fund/pension programs for labour force
- Social security schemes for specific sets of industries
- Privately managed schemes supplement Govt schemes
- Increasing coverage of informal unorganised sectors
- New schemes being launched

Coverage Social Security Schemes

Schemes	Number of subscribers
Schemes under EPFO	40 million (158.4 million accounts)
Employees State Insurance Corporation	20 million
Pension & PF for Govt Servants	4.0 million (approx.)
State Railway Provident Fund	950,000
National Pension System	9.25 million – Aug 2015
Rural Social Security Schemes	30.15 million
Atal Pension Yojana	2.75 million
Total	225.55 million

Schemes under EPFO

- **Employees' Provident Fund (EPF)**

Defined contribution scheme.

Individual account based lump sum payment with interest on retirement (*58 years*).

- **Employees' Pension Scheme**

Monthly pension payments: Old age retirement, survivor, disability; children and orphan.

- **Employees' Deposit Linked Insurance Scheme** Survivor gets insurance benefit, up to Rs. 6,00,000/- if member dies while employed.

BRICS

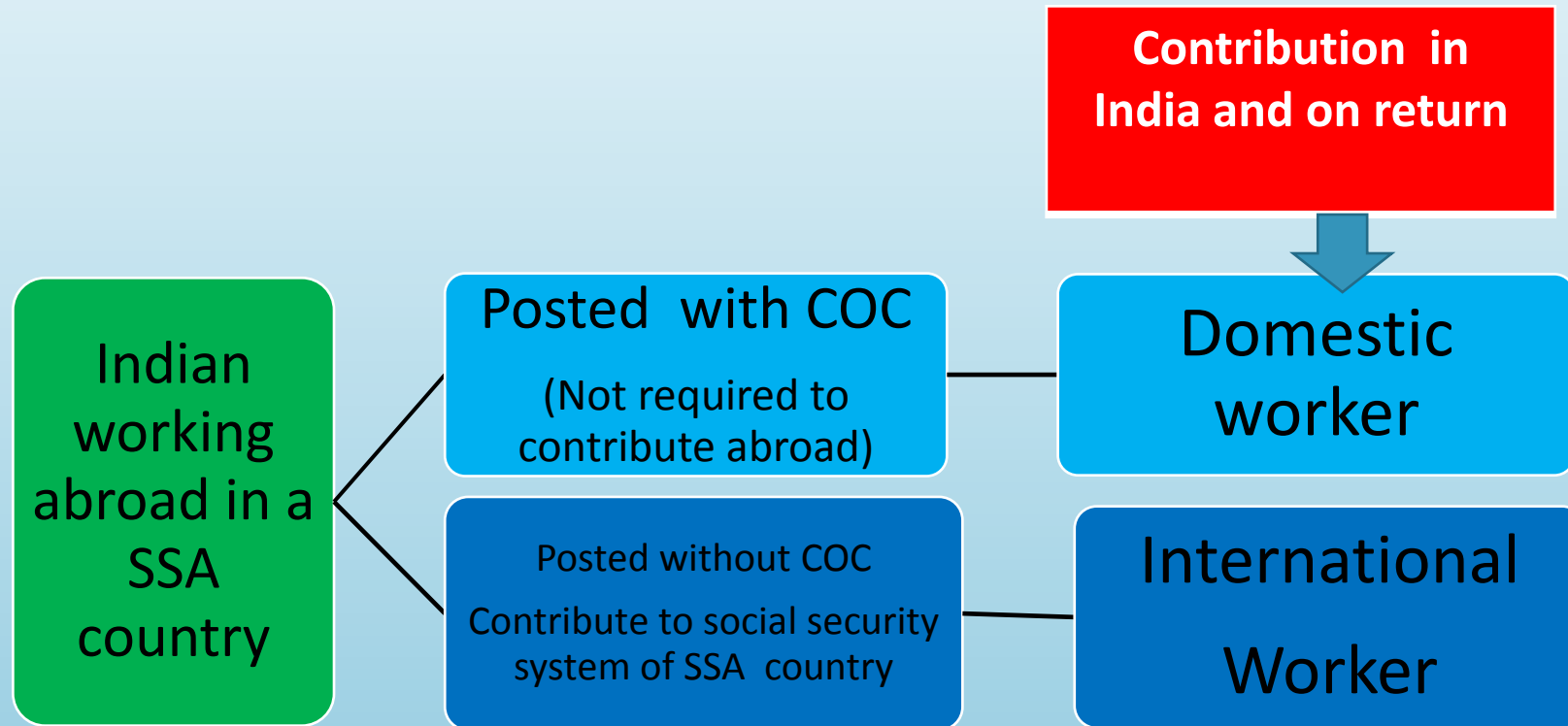
Old Age & Survivor Schemes – Broad Comparison

Criteria	Brazil	Russian Federation	India	China	South Africa
Coverage	Salaried, rural, voluntary	Employed citizens, self employed	Employed workers	Employees, self employed	Employees
Funds (Employee)	8% salaried 20% voluntary	None for employed; fixed amount for self employed	12% of wages	8% for employees; 12% for self employed	1% of earnings
Funds (Employer)	20% of payroll	22% of payroll	12% of wages	20% of payroll	1% of earnings
Funds (Government)	Taxes for administrative cost; total for social assistance	Total cost of social pensions	1.16% of wages	Subsidies as needed; full for non- contributory pension	Funds social assistance schemes
Qualifying Criteria for benefits	Age and 180 months of contribution	Age and 5 years of contribution	Age and 10 years of contribution	Age and 15 years of contribution	Age and means testing

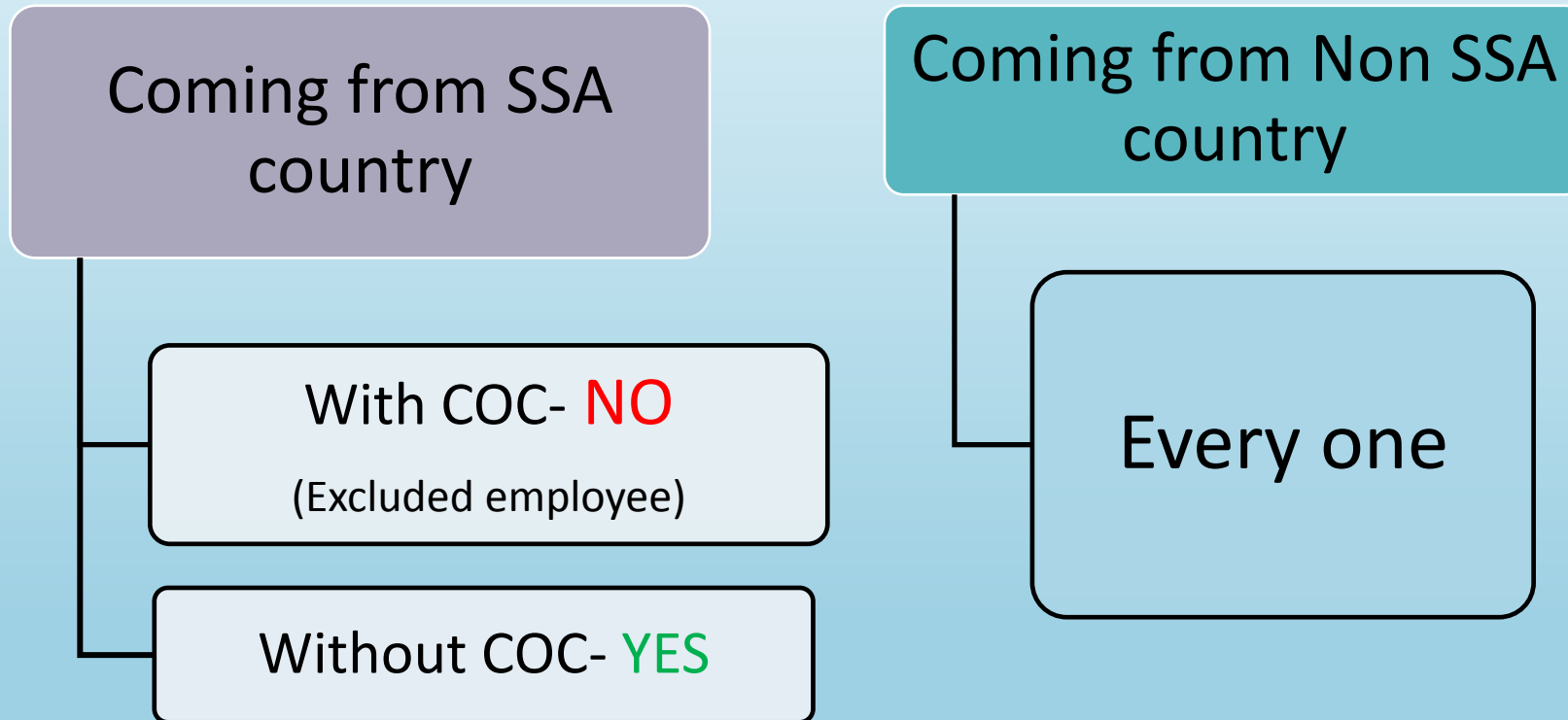
Social Security Benefits to International Workers (IWs)

- ❖ To protect the interest of International Workers India has signed bilateral Social Security Agreements (SSA) with 19 countries
- ❖ Agreement operationalised with 16 countries
- ❖ An SSA generally provides for “**detachment**”, “**totalisation**” and “**portability**”
 - Detachment -IWs are exempted from making contribution in the host country
 - Totalisation - The service rendered abroad to be counted for benefits
 - Portability - Benefits can be availed in either country

Indian International Worker



International Worker (Foreign National)



Social Security Agreements with India

Belgium 01.09.2009	Germany 01.10.2009	Switzerland 29.01.2011	Denmark 01.05.2011	Luxembourg 01.06.2011
France 01.07.2011	South Korea 01.11.2011	Netherlands 01.12.2011	Hungary 01.04.2013	Finland 01.08.2014
Sweden 01.08.2014	Czech Republic 01.09.2014	Norway 01.03.2015	Austria 01.07.2015	Canada 01.08.2015
Australia 01.01.2016	Japan 16.11.2012	Portugal 04.03.2013	Quebec 26.11.2013	

There is Common Ground...

- India signed SSAs with 19 countries
- BRICS nations have individually signed SSAs with other nations
- Trade relations between BRICS nations have been increasing over the years
- Major Industries and Enterprises from respective nations are making investments
- With trade and investments there is increasing flow of nationals who go for work for their companies to the other nations
- The companies often make dual contributions in the absence of detachments provisions that affect the competitiveness

Indian Nationals Employed in BRICS

- Contribute to the respective social security regimes in each countries
- Average stay range from 3 to 5 years and they are not entitled to get any benefit from the other countries' social security systems
- Eligibility for social security benefits place restrictions on the entitlements
- Large part of contribution neither refunded nor utilized
- Loose entire social security contributions unless they complete the respective mandatory contributions which are limited by their stay and visa regulations
- In the absence of SSA the individuals are not able to totalize the social security benefits
- Neither are the individuals able to port their benefits to the country of choice in the absence of SSA

BRICS Nationals Working in India

- BRICS nationals working in India & their employers, contribute 12% of salaries to Indian social security system or Provident Fund.
- Employers contribute 8.33% towards pension and 3.67% towards Provident Fund.
- Total contribution: 24% of salary to Provident fund.
- Large part of contributions refundable to BRICS nationals from their Provident Fund on completing 58 yrs age.
- Receive pension benefit if they worked in India for at least 10 years or have benefits of totalization

Rationale for Totalisation

- Large contributions by Indian nationals and their employers
- Adds to Indian companies' overall cost of doing business, without any corresponding benefit
- BRICS nationals will be eligible for refund of provident fund and pension accumulations at time of repatriation
- Period of service in India and BRICS will be added together to determine eligibility for social security benefits under social security system, in both BRICS and India
- Reduce cost of international assignments and correspondingly cost of doing business for both BRICS and Indian companies.

Conclusions

- Increasing coverage of social security schemes
- Increasing literacy of workforce & awareness of schemes
- Leveraging IT to reach out to greater mass of people
- SSAs will benefit all workers moving across borders.

Moving Forward from here

- The Working Group on Employment adopts a resolution to take the necessary steps to ensure that Social Security Agreements are entered into between the member countries of BRICS
- Specifies a time frame for the concerned Ministries, Departments and institutions in the respective member countries to carry out negotiations and conclude the Social Security Agreements

Thank You